

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

JUNE 30, 2010

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**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

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**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2009 Election)		
Dan Berns	President	2011
Kathy Ihde	Vice President	2009
Larry Friedlein	Board Member	2009
Jolynn Moore	Board Member	2011
Mary Waterman	Board Member	2009
Janice Andregg	Board Member	2011
Dr. Jeff Hoffman	Board Member	2011
(After September 2009 Election)		
Dan Berns	President	2011
Kathy Ihde	Vice President	2013
Michael Finnegan	Board Member	2013
JoLynn Moore	Board Member	2011
Mary Waterman	Board Member	2013
Janice Andregg	Board Member	2011
Dr. Jeff Hoffman	Board Member	2011
School Officials		
Allan Nelson	Superintendent	2010
Mary Seifert	Board Secretary	2010
David Schlueter	Business Manager/Treasurer	2010
Stephan Saunders, Gruhn Law Firm	Attorney	

O'CONNOR, BROOKS & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

W.H. LEGLAR, CPA
S.J. DOMEYER, CPA
M.A. KUEPERS, CPA
J.W. HANNAN, CPA
M.P. RUGGEBERG, CPA
P.C. MCCARTHY, CPA
E.A. SCHILLING, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Clayton Ridge Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Clayton Ridge Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Clayton Ridge Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2011, on our consideration of the Clayton Ridge Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Management's Discussion and Analysis (pages 4 through 12), the Schedule of Funding Progress for the Retiree Health Plan (page 44), and the Budgetary Comparison information (pages 45 through 46), are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clayton Ridge Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
February 11, 2011

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

This section of the Clayton Ridge Community School District's Comprehensive Annual Financial Report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2010. The analysis focuses on District financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

2010 Financial Highlights

- A resolution was adopted asking the voters to approve a \$.67 PPEL for ten years beginning in fiscal 2009. The voters approved this levy at the September 15, 2006 election.
- The capital campaign to fund the new Stephen D Shannon Athletic Complex is on going. As of June 30, 2010, the District has received over \$615,000 in pledges and cash contributions, with the remaining cost of the project to come from transfers from the Capital Projects-Statewide Sales Tax fund over a five year period ending June 30, 2014. A four year interfund loan was approved by the State Appeal Board on March 15, 2010.
- General fund revenues decreased from \$6,116,761 in fiscal 2009 to \$6,010,895 in fiscal 2010 while General fund expenditures increased from \$6,466,743 in fiscal 2009 to \$6,497,693 in fiscal 2010. The District's General fund balance decreased from \$1,620,526 on June 30, 2009 to \$1,139,221 on June 30, 2010.
- General fund revenues decreased \$105,866. The decrease is due to reduce state sources which were partially offset by an increase in the federally funded ARRA programs.
- General fund expenditures increased \$30,950. The increase is due to programs added due to new funding, such as preschool and Title 1.
- Local option sales tax collections in Clayton County began on January 1, 2004. The local option sales tax was replaced with a state-wide sales tax on July 1, 2008. Total state-wide sales tax revenues for fiscal 2010 were \$382,229.
- The Instructional Support Levy was renewed by the Board in 2008 for an additional five years. This levy generates an additional 10% of regular program district cost. The income surtax rate for fiscal 2010 was 5%.

- The fiscal 2010 budget enrollment of 669 students decreased 7 versus fiscal 2009.
- In October, 2009, the Governor issued a 10% across-the-board cut, which reduced state funding in excess of \$300,000. In previous years, districts could increase their cash reserve levy to recoup this lost cash. In 2010 the State of Iowa enacted new laws limiting cash reserves based on unspent balances and existing cash balances. These two actions will result in a reduction of the district's cash balance and reduced interest income.

Overview of Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The Statement of Net Assets and Statement of Activities provide information on a district-wide basis. The statements present an aggregate view of the District's finances. Government-wide statements contain useful long-term information as well as information for the just-completed fiscal year.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.

- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending. The District's governmental funds include the General fund, the Special Revenue funds, the Statewide Sales Tax fund, and the Athletic Complex fund.
- Proprietary funds statements offer short and long-term financial information about the activities the District operates like businesses, such as food services. The District currently has one proprietary fund, the Nutrition fund.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others. These funds include a private purpose trust fund and agency fund.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year and a schedule of funding progress for the retiree health plan..

Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall financial health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the Government-wide financial statements, the District's activities are divided into two categories.

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

Fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's enterprise fund (one type of proprietary fund) is the same as its business-type activities but provides more detail and additional information, such as cash flows.

- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds. The District accounts for outside donations for specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

Reconciliations between the Government-wide financial statements and the fund financial statements follow the fund financial statements.

Financial Analysis of the District as a Whole

Net Assets. Figure A-1 below provides a summary of the District's net assets at June 30, 2010 as compared to June 30, 2009.

<p align="center">Figure A-1 Condensed Statement of Net Assets (\$000) (Expressed in Thousands)</p>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2010-2009
Current assets	\$ 5,604	\$ 6,095	\$ 39	\$ 51	\$ 5,643	\$ 6,146	-8.18%
Capital assets	4,430	3,451	\$ 6	8	4,436	3,459	28.24%
Total assets	\$ 10,034	\$ 9,546	\$ 45	\$ 59	\$ 10,079	\$ 9,605	4.93%
Current liabilities	\$ 4,129	\$ 3,890	\$ 2	\$ 1	4,131	\$ 3,891	6.16%
Non-current liabilities	951	569	\$ 2	-	953	569	67.48%
Total liabilities	\$ 5,080	\$ 4,459	\$ 4	\$ 1	\$ 5,084	\$ 4,460	13.99%
Net assets							
Invested in capital							
assets, net of related debt	\$ 3,710	\$ 3,451	\$ 6	\$ 8	\$ 3,716	\$ 3,459	7.43%
Restricted	756	714	-	-	756	714	5.88%
Unrestricted	488	922	35	50	523	972	-46.19%
Total net assets	\$ 4,954	\$ 5,087	\$ 41	\$ 58	\$ 4,995	\$ 5,145	-2.91%

The District's combined net assets decreased approximately 3% over the prior year.

Unrestricted net assets - the part of net assets that can be used to finance day to day activity without constraints such as enabling legislation or other legal requirements - decreased 46.19% or \$447,530. The decrease is primarily due to decreased state aid due to the across-the-board cut in October, 2009 and the utilization of cash, pledges receivables, and inter-fund loans in the Capital Projects accounts to complete construction of the Stephen D. Shannon Athletic Complex.

Restricted net assets represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The district's restricted net assets consist primarily of fund balances in the General Fund for categorical funding, Management, Physical Plant and Equipment Levy, and Capital Projects funds. The District's restricted net assets increased nearly 6% or \$42,572. The increase is due to increased federal ARRA funding, primarily for Title 1 and special education programs.

Changes in net assets. Figure A-2 below provides a summary of the changes in net assets at June 30, 2010 as compared to June 30, 2009.

<p align="center">Figure A-2 Changes in of Net Assets (\$000) (Expressed in Thousands)</p>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2010-2009
Revenues							
Program revenues:							
Charges for services	\$ 593	\$ 700	\$ 179	\$ 182	\$ 772	\$ 882	-12.47%
Operating grants and contributions	1,375	911	160	140	1,535	1,051	46.05%
General revenues:							
Property taxes	3,024	2,994	-	-	3,024	2,994	1.00%
Statewide sales tax	382	386	-	-	382	386	-1.03%
Unrestricted state grants	1,810	2,396	-	-	1,810	2,396	-24.45%
Other	328	221	-	-	328	221	48.41%
Total Revenues	\$ 7,512	\$ 7,608	\$ 339	\$ 322	\$ 7,851	\$ 7,930	-1.00%
Expenses							
Instruction	\$ 4,880	\$ 4,791	\$ -	\$ -	\$ 4,880	\$ 4,791	1.85%
Student and instructional services	623	583	-	-	623	583	6.86%
Administrative & business	574	712	-	-	574	712	-19.38%
Maintenance & operations	433	444	-	-	433	444	-2.47%
Transportation	503	511	-	-	503	511	-1.56%
Other	631	576	356	338	987	914	7.98%
Total Expenses	\$ 7,644	\$ 7,617	\$ 356	\$ 338	\$ 8,000	\$ 7,955	0.56%
Decrease in net assets	\$ (132)	\$ (9)	\$ (17)	\$ (16)	\$ (149)	\$ (25)	-496.00%

In fiscal 2010, property tax and unrestricted state grants account for 64% of the revenue from governmental activities while charges for services and operating grants and contributions account for 100% of the revenue from business type activities.

As shown in Figure A-2, the District as a whole experienced a 1% decrease in revenue and a .5% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$7,512,348 while total expenses were \$7,644,558. Figure A-3 below presents the cost of six major district activities and each activity's net cost. Net cost shows the total cost less fees generated by the activities and intergovernmental aid provided for specific programs. The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

The total cost of all governmental activities in 2010 was \$7,644,558. The net cost is \$1,967,871 less due to funds received for instructional services provided to students from other districts, and due to funds received from the federal and state governments for certain programs they choose to subsidize (such as Title I.) Transportation aid is also received from the State for the non-public school in our district.

<p align="center">Figure A-3 Net Cost of Governmental Activities (\$000) (Expressed in Thousands)</p>						
	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2010-2009	2010	2009	Change 2010-2009
Instruction	\$ 4,880	\$ 4,791	-1.8%	\$ 3,280	\$ 3,547	-7.5%
Student and instructional services	623	583	6.9%	619	548	12.9%
Administrative & business	574	712	-19.4%	574	712	-19.4%
Maintenance & operations	433	444	-2.4%	409	440	-7.04%
Transportation	503	511	-1.5%	447	442	1.1%
Other	631	576	9.5%	347	318	9.1%
Total	\$ 7,644	\$ 7,617	0.4%	\$ 5,676	\$ 6,007	-5.5%

Business-Type Activities

Revenues of the District's business-type activities (school nutrition) were comprised of charges for meals, federal and state reimbursements, and interest earnings. (See Figure A-2.)

Business-type activities expenses exceeded revenues by \$16,779. Charges for meals accounts for 53% of the total revenues, while contributions from the federal and state government for free and reduced meals and commodities accounts for the remaining 47%.

While revenues increased slightly versus fiscal 2009, expenditures increased over 5% due to rising costs of payroll and food.

Fund Analysis of the District's Funds

Clayton Ridge Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal 2010, the governmental funds reported combined ending fund balances of \$1,602,568. Approximately 96.2% of this balance is unreserved fund balance. The remainder is reserved for various state programs.

The General fund is the chief operating fund of the District. The fund balance decreased from \$1,620,526 in fiscal 2009 to \$1,139,221 in fiscal 2010. The decrease in fund balance is primarily due to the 10% Across-the-board cut in state aid and the timing of funding for special education deficits from previous years. (Funds for the FY09 special education deficit are received in the FY11 budget year.)

The Management fund is used to account for health and retirement benefits for the employees of the district. The fund balance increased \$164,527 from fiscal 2009. The increase is due to increased interest income, a reduction in property and liability insurance costs, and the district's budget plan to levy for long-term early retirement liabilities.

The Physical, Plant, and Equipment levy increased \$26,511 to \$21,023. The increase was due to reduced capital expenditures.

The Statewide Sales Tax (Capital Projects) fund decreased \$188,358. The decrease was due to a transfer made to the Athletic Complex fund.

Proprietary Funds

The Nutrition fund consists of revenues and expenditures related to the operation of the food services department. The net assets at the end of fiscal 2010 were \$40,928. This represented a \$16,779 decrease from fiscal 2009. The decrease in fund balance is due to increased payroll and food costs.

Budgetary Highlights

The District adopts a budget in April for the following fiscal year. A comparison of the District's budget amounts compared to actual financial activity is provided in this report in the required supplementary information.

Total revenues were under budget by \$152,905, or 1.9%. Total expenditures were under budget by \$919,426 which is 9.30%.

Revenues were under budget due to the State's 10% across-the-board cut in October, 2009.

The total expenditures were less than budget primarily due to the District's General fund, Capital Projects fund and PPEL fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General fund. The District then controls General fund spending through its line-item budget. As a result, the certified budget should always exceed actual expenditures for the year, as required by law. The District also budgets to spend the entire balance in the capital projects and PPEL funds as it does with the General funds. Spending is controlled through the line item budgets.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2010 for its governmental and business-type activities was \$4,435,299 net accumulated depreciation. This investment includes land, buildings, and equipment. This represents a net increase of 28% from the prior year. Major improvements included completion of the Stephen D. Shannon Athletic Complex, a roof replacement on the Middle School gym, laptop computers, and a new walk-in freezer in Guttenberg.

<p align="center">Figure A-4 Capital Assets (net of depreciation) (\$000) (Expressed in Thousands)</p>								
	Governmental Activities		Business type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2010	2009	2010	2009	2010	2009	2010-2009	
Land	\$ 55	\$ 55	\$ -	\$ -	\$ 55	\$ 55		0%
Construction in progress	-	1,472	-	-	-	1,472		-100.0%
Buildings	2,086	1,141	-	-	2,086	1,141		82.8%
Improvements other than buildings	1,314	572	-	-	1,314	572		129.7%
Equipment & furniture	974	211	6	8	980	219		347.5%
Total	\$ 4,429	\$ 3,451	\$ 6	\$ 8	\$ 4,435	\$ 3,459		28.2%

More detailed information about the Districts' capital assets is presented in Note 3 to the financial statements.

Depreciation expense for the year was \$264,451.

Long-Term Debt

The Management fund loaned the Athletic Complex fund \$800,000 to pay for construction costs during 2010. The Athletic Complex paid back the Management fund \$45,000 to leave an ending balance of \$755,000. See Note 11 to the financial statements for additional information.

The District financed the purchase of 420 laptop computers through a capital lease. The total amount financed was \$719,637 with annual payments due of \$182,731 including interest at .94%.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District anticipates the trend of declining enrollment will continue.
- The certified employees' bargaining unit contract is a one-year contract, and open for negotiation next year. Salary and benefits represent a majority of the general fund expenses. Since the District receives only minimal or no increases in spending authority, any increase in settlements causes an adverse effect on the general fund budget and related fund balance.
- Lower interest rates and reduced cash balances will result in reduced interest income and spending authority.
- Fluctuating prices for gasohol and diesel continue to create added costs for transportation of students.
- In October, 2009, the State of Iowa issued an across-the-board cut of 10% to all state agencies, including public schools. While this will have a minimal effect on the district's spending authority, the loss of cash will be nearly \$400,000.
- The district has the following long-term obligations – bus leases, computer leases, early retirement benefits, and inter-fund loans to finance the construction of the Stephen D. Shannon Athletic Complex.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives.

If you have questions about this report or need additional financial information, contact David Schlueter, Clayton Ridge Community School District, PO Box 520, Guttenberg, Iowa, 52052.

**BASIC
FINANCIAL
STATEMENTS**

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities	Business Type Activities	Total
	-----	-----	-----
Assets			
Cash and cash equivalents	\$ 2,015,858	\$ 23,076	\$ 2,038,934
Receivables:			
Succeeding year property tax	3,002,193	---	3,002,193
Pledges, net of allowance of \$6,500	73,300	---	73,300
Income surtax	145,990	---	145,990
Accounts	2,385	---	2,385
Due from other governments	364,290	---	364,290
Inventories	---	16,148	16,148
Capital assets, net of accumulated depreciation	4,429,732	5,567	4,435,299
	-----	-----	-----
Total Assets	\$10,033,748	\$ 44,791	\$10,078,539
	-----	-----	-----
Liabilities			
Accounts payable	\$ 17,126	\$ 47	\$ 17,173
Salaries and benefits payable	603,936	---	603,936
Due to other governments	16,812	---	16,812
Due to fiduciary fund	---	2,100	2,100
Deferred revenue - other	139,427	---	139,427
Deferred revenue - succeeding year property tax	3,002,193	---	3,002,193
Long-term liabilities:			
Portion due within one year:			
Lease payable	182,731	---	182,731
Early retirement payable	166,281	---	166,281
Portion due after one year:			
Lease payable	536,906	---	536,906
Early retirement payable	383,799	---	383,799
Net OPEB liability	30,643	1,716	32,359
	-----	-----	-----
Total Liabilities	\$ 5,079,854	\$ 3,863	\$ 5,083,717
	-----	-----	-----
Net Assets			
Invested in capital assets, net of related debt	\$ 3,710,095	\$ 5,567	\$ 3,715,662
Restricted for:			
Categorical funding	88,220	---	88,220
Management levy	451,755	---	451,755
Physical plant and equipment levy	21,023	---	21,023
Other special revenue purposes	68,599	---	68,599
Statewide sales tax	125,245	---	125,245
Unrestricted	488,957	35,361	524,318
	-----	-----	-----
Total Net Assets	\$ 4,953,894	\$ 40,928	\$ 4,994,822
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

EXHIBIT "B"

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs: Governmental Activities:							
Instruction:							
Regular	\$ 2,715,935	\$ 119,492	\$ 808,081	\$ ---	\$ (1,788,362)	\$ ---	\$ (1,788,362)
Special	1,098,998	157,346	223,795	---	(717,857)	---	(717,857)
Other	1,065,381	291,203	---	---	(774,178)	---	(774,178)
	\$ 4,880,314	\$ 568,041	\$ 1,031,876	\$ ---	\$ (3,280,397)	\$ ---	\$ (3,280,397)
Support Services:							
Student	\$ 284,569	\$ ---	\$ ---	\$ ---	\$ (284,569)	\$ ---	\$ (284,569)
Instructional staff	338,763	---	4,225	---	(334,538)	---	(334,538)
Administration	573,661	---	---	---	(573,661)	---	(573,661)
Operation and maintenance of plant	433,298	23,990	---	---	(409,308)	---	(409,308)
Transportation	503,339	1,029	55,255	---	(447,055)	---	(447,055)
	\$ 2,133,630	\$ 25,019	\$ 59,480	\$ ---	\$ (2,049,131)	\$ ---	\$ (2,049,131)
Non-instructional Programs	\$ 1,808	\$ ---	\$ ---	\$ ---	\$ (1,808)	\$ ---	\$ (1,808)

The accompanying notes are an integral part of these financial statements.

EXHIBIT "B" (CONTINUED)

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Other Expenditures:							
Facilities acquisition	\$ 143,051	\$ ---	\$ ---	\$ ---	\$ (143,051)	\$ ---	\$ (143,051)
AEA flowthrough	283,455	---	283,455	---	---	---	---
Depreciation (unallocated)*	202,300	---	---	---	(202,300)	---	(202,300)
	---	---	---	---	---	---	---
	\$ 628,806	\$ ---	\$ 283,455	\$ ---	\$ (345,351)	\$ ---	\$ (345,351)
	---	---	---	---	---	---	---
Total Governmental Activities	\$ 7,644,558	\$ 593,060	\$ 1,374,811	\$ ---	\$ (5,676,687)	\$ ---	\$ (5,676,687)
	---	---	---	---	---	---	---
Business Type Activities:							
Noninstructional Programs:							
Food service operations	\$ 355,984	\$ 178,970	\$ 160,028	\$ ---	\$ ---	\$ (16,986)	\$ (16,986)
	---	---	---	---	---	---	---
Total	\$ 8,000,542	\$ 772,030	\$ 1,534,839	\$ ---	\$ (5,676,687)	\$ (16,986)	\$ (5,693,673)
	---	---	---	---	---	---	---

The accompanying notes are an integral part of these financial statements.

EXHIBIT "B" (CONTINUED)

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
General Revenues						
Property tax levied for:				\$ 2,768,948	\$ ---	\$ 2,768,948
General purposes				255,248	---	255,248
Capital outlay				381,982	---	381,982
State wide sales and services tax				155,863	---	155,863
Instructional support surtax				1,810,322	---	1,810,322
Unrestricted state grants				20,405	207	20,612
Unrestricted investment earnings				97,248	---	97,248
Contributions				(1,341)	---	(1,341)
Gain (loss) on disposal of fixed assets				55,802	---	55,802
Other						
Total General Revenues				\$ 5,544,477	\$ 207	\$ 5,544,684
Change in Net Assets				\$ (132,210)	\$ (16,779)	\$ (148,989)
Net Assets Beginning of Year				5,086,104	57,707	5,143,811
Net Assets End of Year				\$ 4,953,894	\$ 40,928	\$ 4,994,822

* This amount excludes the depreciation included in the direct expenses of the various programs.

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General	Management Levy	Physical Plant and Equipment Levy	State Wide Sales Tax	Nonmajor Governmental Funds	Total
Assets						
Cash and cash equivalents	\$ 1,671,606	\$ 241,614	\$ 19,314	\$ 10,417	\$ 72,906	\$ 2,015,857
Receivables:						
Succeeding year property tax	2,495,015	250,000	257,178	---	---	3,002,193
Pledges, net of allowance of \$6,500	---	---	---	---	73,300	73,300
Income surtax	145,990	---	---	---	---	145,990
Accounts	2,385	---	---	---	---	2,385
Interfund loan receivable	---	755,000	---	---	---	755,000
Due from other governments	239,825	5,221	3,248	115,996	---	364,290
Total Assets	\$ 4,554,821	\$ 1,251,835	\$ 279,740	\$ 126,413	\$ 146,206	\$ 6,359,015
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 14,419	---	\$ 1,539	\$ 1,168	---	\$ 17,126
Salaries and benefits payable	603,936	---	---	---	---	603,936
Due to other governments	16,812	---	---	---	---	16,812
Interfund loan payable	---	---	---	---	755,000	755,000
Deferred revenue:						
Succeeding year property tax	2,495,015	250,000	257,178	---	---	3,002,193
Income surtax	145,990	---	---	---	---	145,990
Pledges receivable	---	---	---	---	75,962	75,962
Other	139,428	---	---	---	---	139,428
Total Liabilities	\$ 3,415,600	\$ 250,000	\$ 258,717	\$ 1,168	\$ 830,962	\$ 4,756,447

The accompanying notes are an integral part of these financial statements.

EXHIBIT "C"(CONTINUED)

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Management Levy	Physical Plant and Equipment Levy	State Wide Sales Tax	Nonmajor Governmental Funds	Total
Fund Balances:						
Reserved for:						
Categorical funding	\$ 88,220	\$ ---	\$ ---	\$ ---	\$ ---	\$ 88,220
Unreserved:						
Undesignated	1,051,001	1,001,835	21,023	125,245	(684,756)	1,514,348
Total Fund Balances	\$ 1,139,221	\$ 1,001,835	\$ 21,023	\$ 125,245	\$ (684,756)	\$ 1,602,568
Total Liabilities and Fund Balances	\$ 4,554,821	\$ 1,251,835	\$ 279,740	\$ 126,413	\$ 146,206	\$ 6,359,015

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Total fund balances of governmental funds (page 18)	\$ 1,602,568
--	---------------------

*Amounts reported for governmental activities in the
Statement of Net Assets are different because:*

Capital assets of \$7,799,151, net of accumulated depreciation of (\$3,369,417) are not financial resources and, therefore, are not reported in the funds.	4,429,734
--	-----------

Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(1,300,360)
--	-------------

Income surtaxes will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	145,990
---	---------

Certain pledges receivable are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	75,962
---	--------

Net assets of governmental activities (page 13)	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 4,953,894</div>
--	---

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	General	Management Levy	Physical Plant and Equipment Levy	State Wide Sales Tax	Nonmajor Governmental Funds	Total
Revenues:						
Local sources:						
Local tax	\$ 2,510,104	\$ 400,359	\$ 255,054	\$ ---	\$ ---	\$ 3,165,517
Tuition	205,635	---	---	---	---	205,635
Other	70,679	49,166	15,678	382,229	448,747	966,499
State sources	2,659,590	297	194	---	---	2,660,081
Federal sources	564,887	---	---	---	---	564,887
Total Revenues	\$ 6,010,895	\$ 449,822	\$ 270,926	\$ 382,229	\$ 448,747	\$ 7,562,619
Expenditures:						
Current:						
Instruction:						
Regular	\$ 2,481,137	\$ 183,895	\$ ---	\$ ---	\$ ---	\$ 2,665,032
Special	1,091,552	---	---	---	---	1,091,552
Other	788,649	---	---	---	275,587	1,064,236
	\$ 4,361,338	\$ 183,895	\$ ---	\$ ---	\$ 275,587	\$ 4,820,820
Support Services:						
Student	\$ 267,851	\$ 14,427	\$ ---	\$ ---	\$ ---	\$ 282,278
Instructional staff	259,299	2,168	320,420	479,758	---	1,061,645
Administration	565,018	35,693	231	---	3,180	604,122
Operation and maintenance of plant	405,951	29,310	---	---	---	435,261
Transportation	354,781	17,994	113,993	---	---	486,768
	\$ 1,852,900	\$ 99,592	\$ 434,644	\$ 479,758	\$ 3,180	\$ 2,870,074
Non-instructional Programs	\$ ---	\$ 1,808	\$ ---	\$ ---	\$ ---	\$ 1,808

The accompanying notes are an integral part of these financial statements.

EXHIBIT "E" (CONTINUED)

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Management Levy	Physical Plant and Equipment Levy	State Wide Sales Tax	Nonmajor Governmental Funds	Total
Other Expenditures:						
Facilities acquisition	\$ ---	\$ ---	\$ 49,650	\$ 395,587	\$ 191,763	\$ 637,000
AEA flowthrough	283,455	---	---	---	---	283,455
	\$ 283,455	\$ ---	\$ 49,650	\$ 395,587	\$ 191,763	\$ 920,455
Total Expenditures	\$ 6,497,693	\$ 285,295	\$ 484,294	\$ 875,345	\$ 470,530	\$ 8,613,157
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (486,798)	\$ 164,527	\$ (213,368)	\$ (493,116)	\$ (21,783)	\$ (1,050,538)
Other Financing Sources (Uses):						
Operating transfers in	\$ ---	\$ ---	\$ ---	\$ ---	\$ 175,000	\$ 175,000
Operating transfers out	---	---	---	(175,000)	---	(175,000)
Capital lease financing	---	---	239,879	479,758	---	719,637
Sale of equipment and materials	5,493	---	---	---	---	5,493
	\$ 5,493	\$ ---	\$ 239,879	\$ 304,758	\$ 175,000	\$ 725,130
Total Other Financing Sources (Uses)	\$ (481,305)	\$ 164,527	\$ 26,511	\$ (188,358)	\$ 153,217	\$ (325,408)
Net Change in Fund Balances						
	1,620,526	837,308	(5,488)	313,603	(837,973)	1,927,976
Fund Balances Beginning of Year						
Fund Balances End of Year	\$ 1,139,221	\$ 1,001,835	\$ 21,023	\$ 125,245	\$ (684,756)	\$ 1,602,568

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Net change in fund balances - total governmental funds (page 21) **\$ (325,408)**

*Amounts reported for governmental activities in the Statement
of Activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$1,241,399 exceeded depreciation of \$261,854 in the current period. 979,545

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. These include the net decrease in early retirement payable of \$19,698 the net increase in other postemployment benefits of \$(30,643), and the net increase in the capital lease payable of \$(719,637). (730,582)

In the statement of activities, loss on the sale and disposition of assets is reported, whereas in the governmental funds, this information is not reported since this does not effect current financial resources. This is the amount of the loss on sale and disposition of fixed assets. (1,341)

Because income surtaxes will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year. 12,297

Because certain pledges will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred pledge revenues (decreased) by this amount this year. (66,721)

Change in net assets of governmental activities (page 16) **\$ (132,210)**

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010**

	School Nutrition -----
Assets	
Cash and cash equivalents	\$ 23,076
Inventories	16,148
Capital assets, net of accumulated depreciation	5,567

Total Assets	\$ 44,791

Liabilities	
Accounts payable	\$ 47
Due to other funds	2,100
Net OPEB liability	1,716

Total Liabilities	\$ 3,863

Net Assets	
Invested in capital assets	\$ 5,567
Unrestricted	35,361

Total Net Assets	\$ 40,928
	=====

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010**

	School Nutrition -----
Operating Revenue:	
Local sources:	
Charges for services	\$ 178,970 -----
Operating Expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	\$ 176,294
Purchased services	2,303
Supplies	174,450
Miscellaneous	340
Depreciation	2,597 -----
Total Operating Expenses	\$ 355,984 -----
Operating Loss	\$ (177,014) -----
Non-operating Revenue:	
State sources	\$ 3,355
Federal sources	156,673
Interest income	207 -----
Total Non-Operating Revenues	\$ 160,235 -----
Net Loss	\$ (16,779)
Net Assets Beginning of Year	57,707 -----
Net Assets End of Year	\$ 40,928 =====

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010**

	School Nutrition -----
Cash Flows From Operating Activities:	
Cash received from sale of lunches and breakfasts	\$ 178,970
Cash paid to employees for services	(172,478)
Cash paid to suppliers for goods and services	(157,138)

Net Cash Used by Operating Activities	\$ (150,646)

Cash Flows From Noncapital Financing Activities:	
State grants received	\$ 3,355
Federal grants received	131,783

Net Cash Provided by Noncapital Financing Activities	\$ 135,138

Cash Flows From Investing Activities:	
Interest on investments	\$ 207

Net Decrease in Cash and Cash Equivalents	\$ (15,301)
Cash and Cash Equivalents Beginning of Year	\$ 38,377

Cash and Cash Equivalents End of Year	\$ 23,076
	=====
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	\$ (177,014)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	24,890
Depreciation	2,597
(Increase) in inventories	(3,817)
Increase in due to fiduciary fund	2,100
(Decrease) in accounts payable	(1,118)
Increase in net OPEB liability	1,716

Net Cash Used by Operating Activities	\$ (150,646)
	=====

Non-Cash Investing, Capital and Financing Activities:

During the year ended June 30, 2010, the District received \$24,890 of federal commodities.

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2010**

	Private Purpose Trust	
	----- Scholarship -----	----- Agency -----
Assets		
Cash and deposits	\$ 39,066	\$ 2,492
Due from nutrition fund	2,100	---
	-----	-----
Total Assets	\$ 41,166	\$ 2,492
	-----	-----
Liabilities		
Due to other governments	\$ ---	\$ 2,492
	-----	-----
Net Assets		
Reserved for scholarships	\$ 41,166	\$ ---
	=====	=====

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2010**

	Private Purpose Trust
	----- Scholarship -----
Additions:	
Local sources:	
Gifts and contributions	\$ 7,278
Interest income	1,810

Total Additions	\$ 9,088

Deductions:	
Support services:	
Scholarships awarded	9,743

Change in Net Assets	\$ (655)
Net Assets Beginning of Year	41,821

Net Assets End of Year	\$ 41,166
	=====

The accompanying notes are an integral part of these financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Policies:

The Clayton Ridge Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Clayton Ridge Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Clayton Ridge Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clayton County Assessor's Conference Board.

B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three activities:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of a capital lease.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The Management Levy (Special Revenue) is used to account for health and retirement benefits for the employees of the district and general insurance costs of the District.

The Special Revenue, Physical Plant and Equipment Levy Fund is used to account for all resources from the regular and voter-approved levy for major expenditures related to real property and equipment.

The Capital Projects, Statewide Sales Tax fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The School Nutrition fund is used to account for the food service operations of the District.

The District also reports fiduciary funds that focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-Purpose Trust fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), pledges receivable, and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents - The cash balances of most District funds are pooled and invested in money market accounts and certificates of deposit.

For purposes of the statements of cash flows, all short-term cash deposits that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than 365 days.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with 1-1/2% per month penalty for delinquent payments; is based on January 1, 2007, assessed property valuations, is for the tax accrual period July 1, 2008, through June 30, 2010, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Pledges Receivable - The District uses the allowance method to determine uncollectible pledges receivable for the Athletic Complex. The allowance is based on management's analysis of specific promises made.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventory items are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Land	All
Buildings	1,500
Improvements other than buildings	1,500
Furniture and equipment:	
School Nutrition Fund equipment	1,500
Other furniture and equipment	1,500

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment:	5 years

Compensated Absences - School District employees accumulate sick leave and vacation for subsequent use. These accumulations are not recognized as expenditures by the District until used. The District's policy prohibits payoff of accumulated benefits at termination of employment. Consequently, no liability at June 30, 2010 has been accrued.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, income surtax, delinquent property tax receivable, pledges receivable, and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the support services function area exceeded the amounts budgeted and the District did not exceed the General Fund unspent authorized budget.

Note 2 - Cash and Cash Equivalents:

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 3 - Capital Assets:

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	-----	-----	-----	-----
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 55,335	\$ ---	\$ ---	\$ 55,335
Construction in progress	1,472,337	---	(1,472,337)	---
	-----	-----	-----	-----
Total capital assets not being depreciated	\$ 1,527,672	\$ ---	\$(1,472,337)	\$ 55,335
	-----	-----	-----	-----
Capital assets being depreciated:				
Buildings	\$ 3,156,816	\$ 1,118,876	\$ ---	\$ 4,275,692
Improvements other than buildings	922,079	756,061	(35,839)	1,642,301
Furniture and equipment	1,048,944	838,798	(61,920)	1,825,822
	-----	-----	-----	-----
Total capital assets being depreciated	\$ 5,127,839	\$ 2,713,735	\$ (97,759)	\$ 7,743,815
	-----	-----	-----	-----
Less accumulated depreciation for:				
Buildings	\$ 2,015,834	\$ 174,358	\$ ---	\$ 2,190,192
Improvements other than buildings	350,117	12,058	(34,498)	327,677
Furniture	838,031	75,438	(61,920)	851,549
	-----	-----	-----	-----
Total accumulated depreciation	\$ 3,203,982	\$ 261,854	\$ (96,418)	\$ 3,369,418
	-----	-----	-----	-----
Total capital assets being depreciated, net	\$ 1,923,857	\$ 2,451,881	\$ (1,341)	\$ 4,374,397
	-----	-----	-----	-----
Total Governmental activities capital assets, net	\$ 3,451,529	\$ 2,451,881	\$(1,473,678)	\$ 4,429,732
	=====	=====	=====	=====
Business-type activities:				
Furniture and equipment	\$ 124,522	\$ ---	\$ ---	\$ 124,522
Less accumulated depreciation	116,358	2,597	---	118,955
	-----	-----	-----	-----
Business-type activities capital assets, net	\$ 8,164	\$ (2,597)	\$ ---	\$ 5,567
	=====	=====	=====	=====

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 3 - Capital Assets: (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular instruction \$ 15,584

Support services:

Instructional staff support services 3,772

Operation and maintenance of plant services 4,581

Transportation services 35,619

Unallocated 202,298

Total depreciation expense - governmental activities \$ 261,854

Business type activities:

Food services \$ 2,597

Note 4 - Long-Term Liabilities:

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	-----	-----	-----	-----	-----
Governmental Activities:					
Early retirement	\$ 569,776	\$ 165,048	\$ 184,744	\$ 550,080	\$ 166,281
Lease payable	---	719,637	---	719,637	182,731
Net OPEB liability	---	30,643	---	30,643	---
	-----	-----	-----	-----	-----
Total	\$ 569,776	\$ 915,328	\$ 184,744	\$ 1,300,360	\$ 349,012
	=====	=====	=====	=====	=====
Business Type Activities:					
Net OPEB liability	\$ ---	\$ 1,716	\$ ---	\$ 1,716	\$ ---
	=====	=====	=====	=====	=====

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 4 - Long-Term Liabilities: (Continued)

Early Retirement:

The District offers a voluntary early retirement plan to its certified and non-certified employees. The employee is eligible to participate in the early retirement program if the following conditions are met at June 30, 2010.

- 1) The employee has reached a minimum age of 55.
- 2) The employee has completed at least 15 years (10 years for management) of full service to the Clayton Ridge Community School District and/or the Garnavillo Community School District and/or the Guttenberg Community School District.

The eligible employee must submit an application of early retirement to the Board of Education. The Board has sole discretion over the approval of early retirement.

Early retirement benefits are equal to a one time payment of approximately 15% of the employee's contracted salary in effect during the last year of employment. The employee shall also be eligible for an additional payment based on a percentage of unused sick leave at June 30, 2010. The District will continue to pay the employee's health insurance premium on a monthly basis for up to \$350 per month for teachers and administrators for a maximum period of ten years.

Early retirement benefits paid during the year ended June 30, 2010 totaled \$184,744.

Lease Payable:

The District entered into a lease agreement for laptop computers totaling \$719,637. Accumulated amortization as of June 30, 2010 was zero. Future lease payments including interest at .94% are summarized as follows:

Year Ended June 30 -----	
2011	\$ 182,731
2012	182,731
2013	182,731
2014	182,731

	\$ 730,924
	=====

Net OPEB Liability:

See Note 10 to the financial statements for additional details.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 5 - Pension and Retirement Benefits:

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$276,558, \$260,608, and \$237,883 respectively, equal to the required contributions for each year.

Note 6 - Related Party Transactions:

The District had business transactions between the District and immediate family members of board members for maintenance and construction costs totaling \$7,984.

Note 7 - Risk Management:

Clayton Ridge Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance for the past three fiscal years.

Note 8 - Area Education Agency:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$283,455 for the year ended June 30, 2010, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 9 - Operating Lease Commitment:

The District has entered into noncancellable operating leases for ten school buses.

Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2010, are as follows:

Year Ending June 30	

2010	\$ 107,992
2011	74,462
2012	35,028

Total	\$ 217,482
	=====

Note 10 - Other Postemployment Benefits (OPEB):

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 88 active and 25 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Medical Associates. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. Retirees pay the full cost of premiums for the medical/prescription drug benefit. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 10 - Other Postemployment Benefits (OPEB): (Continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 51,700
Interest on net OPEB obligation	---
Adjustment to annual required contribution	---

Annual OPEB cost	\$ 51,700
Contributions made	(19,340)

Increase in net OPEB obligation	\$ 32,360
Net OPEB obligation beginning of year	---

Net OPEB obligation end of year	\$ 32,360
	=====

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$19,340 to the medical plan premiums. Plan members eligible for benefits contributed \$27,626, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
-----	-----	-----	-----
June 30, 2010	\$ 51,700	37.40%	\$ 32,360

Funded Status and Funding Process - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$541,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$541,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,286,000, and the ratio of the UAAL to covered payroll was 12.6%. As of June 30, 2010, there were no trust fund assets.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 10 - Other Postemployment Benefits (OPEB): (Continued)

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The UAAL is being amortized as a level dollar on a closed basis over 30 years.

Note 11 - Interfund Loan:

The detail of interfund loans at June 30, 2010 are as follows:

Loan to	Loan from	Amount
-----	-----	-----
Capital Projects:	Management	\$755,000
Athletic Complex		=====

The loan bears interest at .6% and has a maturity date of June 30, 2014.

Note 12 - 28E Agreement:

On March 12, 2008, the District entered into a 28E Agreement with Northeast Iowa Community College. The agreement is for the purpose of jointly administering an alternative high school.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 13 - Pledges Receivable - Athletic Complex:

Receivable in less than one year	\$ 43,625
Receivable in one to five years	36,175

Gross Pledges Receivable	\$ 79,800
Less: Allowance for uncollectible pledges	(6,500)

	\$ 73,300
	=====

Note 14 - Catagorical Funding:

The District's reserved balance for categorical funding at June 30, 2010 is comprised of the following programs:

Program	Amount
-----	-----
Gifted and Talented	\$ 44,189
Educator quality	33,748
Preschool	9,247
Textbook aid for nonpublic students	1,036

	\$ 88,220
	=====

Note 15 - Deficit Fund Balance:

At June 30, 2010, the Athletic Complex fund had a deficit balance of \$753,355.

Note 16 - Interfund Transfers:

Transfer to	Transfer from	Amount
-----	-----	-----
Capital Projects: Athletic Complex	Capital Projects: Statewide Sales Tax	\$ 175,000
		=====

The transfer from the Statewide Sales Tax fund to the Athletic Complex fund was done to reimburse the Athletic Complex fund for construction costs.

Note 17 - Due From and Due to Other Funds:

The Nutrition fund is repaying the Private Purpose Trust fund \$2,100 for Nutrition fund expenditures that were incorrectly paid out of the Private Purpose Trust fund.

Note 18 - Subsequent Events:

Subsequent events have been evaluated by management through February 11, 2011, which is the date the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN**

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
-----	-----	-----	-----	-----	-----	-----
July 1, 2009	\$ ---	\$ 541,000	\$ 541,000	0.0%	\$ 4,286,000	12.6%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and net OPEB Obligation, funded status and funding progress.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts	Final to Actual Variance
Revenues:					
Local sources	\$ 4,337,651	\$ 179,177	\$ 4,516,828	\$ 4,481,931	\$ 34,897
State sources	2,660,081	3,355	2,663,436	3,268,798	(605,362)
Federal sources	564,887	156,673	721,560	304,000	417,560
Total Revenues	\$ 7,562,619	\$ 339,205	\$ 7,901,824	\$ 8,054,729	\$ (152,905)
Expenditures:					
Instruction	\$ 4,820,820	\$ ---	\$ 4,820,820	\$ 5,650,000	\$ 829,180
Support services	2,870,074	---	2,870,074	2,510,000	(360,074)
Non-instructional programs	1,808	355,984	357,792	360,000	2,208
Other	920,455	---	920,455	1,368,567	448,112
Total Expenditures	\$ 8,613,157	\$ 355,984	\$ 8,969,141	\$ 9,888,567	\$ 919,426
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,050,538)	\$ (16,779)	\$ (1,067,317)	\$ (1,833,838)	\$ 766,521
Other Financing Sources, net	725,130	---	725,130	(300,000)	1,025,130
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (325,408)	\$ (16,779)	\$ (342,187)	\$ (2,133,838)	\$ 1,791,651
Balances Beginning of Year	1,927,976	57,707	1,985,683	2,344,215	(358,532)
Balances End of Year	\$ 1,602,568	\$ 40,928	\$ 1,643,496	\$ 210,377	\$ 1,433,119

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures in the support services function exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**OTHER
SUPPLEMENTARY
INFORMATION**

SCHEDULE "1"

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Special Revenue -----	Capital Projects -----	
	Student Activity -----	Athletic Complex -----	Total Nonmajor Governmental Funds -----
Assets			
Cash and cash equivalents	\$ 68,599	\$ 4,307	\$ 72,906
Receivables:			
Pledges, net of allowance of \$6,500	---	73,300	73,300
	-----	-----	-----
Total Assets	\$ 68,599	\$ 77,607	\$ 146,206
	=====	=====	=====
 Liabilities and Fund Balances			
Liabilities:			
Interfund loan payable	\$ ---	\$ 755,000	\$ 755,000
Deferred revenue:			
Pledges receivable	---	75,962	75,962
	-----	-----	-----
Total Liabilities	\$ ---	\$ 830,962	\$ 830,962
	-----	-----	-----
Unreserved Fund Balances	\$ 68,599	\$ (753,355)	\$ (684,756)
	-----	-----	-----
Total Liabilities and Equity	\$ 68,599	\$ 77,607	\$ 146,206
	=====	=====	=====

See accompanying independent auditor's report.

SCHEDULE "2"

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
	-----	-----	-----
	Student Activity	Athletic Complex	-----
	-----	-----	-----
Revenues:			
Local Sources:			
Other	\$ 289,551	\$ 159,196	\$ 448,747
	-----	-----	-----
Total Revenues	\$ 289,551	\$ 159,196	\$ 448,747
	-----	-----	-----
Expenditures:			
Current:			
Instruction:			
Other	\$ 275,587	\$ ---	\$ 275,587
Support Services:			
Administrative services	---	3,180	3,180
Other Expenditures:			
Facilities acquisition	---	191,763	191,763
	-----	-----	-----
Total Expenditures	\$ 275,587	\$ 194,943	\$ 470,530
	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 13,964	\$ (35,747)	\$ (21,783)
	-----	-----	-----
Other Financing Sources:			
Operating transfers in	\$ ---	\$ 175,000	\$ 175,000
	-----	-----	-----
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 13,964	\$ 139,253	\$ 153,217
	-----	-----	-----
Fund Balances Beginning of Year	\$ 54,635	\$ (892,608)	\$ (837,973)
	-----	-----	-----
Fund Balances End of Year	\$ 68,599	\$ (753,355)	\$ (684,756)
	=====	=====	=====

See accompanying independent auditor's report.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2010**

Account	Balance Beginning of Year	Revenues	Expenditures	Interfund Transfers	Balance End of Year
-----	-----	-----	-----	-----	-----
"A" Team	\$ 505	\$ ---	\$ ---	\$ (505)	\$ ---
Adult Pop - Elementary	3,207	3,816	4,116	---	2,907
Adult Pop - Middle School	(781)	989	861	653	---
Athletics	(18,661)	65,767	46,021	---	1,085
Baseball	(486)	3,940	3,454	---	---
Boys Basketball	(188)	2,098	2,299	---	(389)
Cheerleading	42	309	189	---	162
Class of 2013	2,649	---	2,662	---	(13)
Class of 2010	16,437	31,025	43,624	---	3,838
Class of 2011	4,734	7,170	4,912	---	6,992
Class of 2012	2,671	6,822	4,561	---	4,932
District Four Football	---	400	---	---	400
Drama	6,211	4,533	4,435	---	6,309
Drill Team	2,422	22,233	17,697	---	6,958
Elementary Assemblies	4,094	1,864	2,306	---	3,652
FCCLA	2,220	8,047	6,653	---	3,614
FFA Memorial	5,180	2,362	2,715	---	4,827
FFA Project	1,394	3	391	---	1,006
FFA Trip	(422)	14,487	15,989	---	(1,924)
Fine Arts	1,036	1,236	2,040	---	232
Football	385	6,315	5,846	---	854
Girls Basketball	1,124	944	784	---	1,284
High School Assemblies	942	696	778	---	860
High School National Honor Society	461	646	1,051	---	56
Junior High Student Council	8,233	25,724	26,068	(653)	7,236
Middle School Library Reading	(408)	1,813	1,813	505	97
Middle School Assemblies	2,926	172	495	---	2,603
Music Trips	951	6,256	4,110	---	3,097
Parent Advisory Committee	237	744	323	---	658
Philanthropist Club	2,561	---	1,087	---	1,474
Random Acts of Kindness Club	---	176	295	---	(119)
Reading Month	3,925	6,187	5,715	---	4,397
Softball	1,304	---	---	---	1,304
Spanish Club	562	2,485	2,539	---	508
Student Senate	(3,063)	17,491	16,175	---	(1,747)
Tri-Star FFA	205	28,330	30,465	---	(1,930)
Volleyball	4,621	5,052	8,241	---	1,432
Wrestling	399	140	882	---	(343)
Yearbook	(2,994)	9,279	3,995	---	2,290
	-----	-----	-----	-----	-----
Total	\$ 54,635	\$ 289,551	\$ 275,587	\$ ---	\$ 68,599
	=====	=====	=====	=====	=====

See accompanying independent auditor's report.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
YEAR ENDED JUNE 30, 2010**

	Balance Beginning of Year -----	Additions -----	Deductions -----	Balance End of Year -----
Assets:				
Cash and deposits	\$ 2,511 =====	\$ 131 =====	\$ 150 =====	\$ 2,492 =====
Liabilities:				
Payable to others	\$ 2,511 =====	\$ 131 =====	\$ 150 =====	\$ 2,492 =====

See accompanying independent auditor's report.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST FIVE YEARS**

Modified Accrual Basis					
	2010	2009	2008	2007	2006
Revenues:					
Local Sources:					
Local tax	\$ 3,165,517	\$ 3,079,650	\$ 3,355,563	\$ 3,387,397	\$ 3,346,260
Tuition	205,635	242,776	256,131	198,191	236,340
Other	966,499	1,003,784	844,453	681,536	542,231
State Sources	2,660,081	3,167,527	3,171,817	2,994,560	2,975,595
Federal Sources	564,887	180,950	190,803	242,006	287,147
Total	<u>\$ 7,562,619</u>	<u>\$ 7,674,687</u>	<u>\$ 7,818,767</u>	<u>\$ 7,503,690</u>	<u>\$ 7,387,573</u>
Expenditures:					
Instruction:					
Regular	\$ 2,665,032	\$ 2,595,541	\$ 2,662,212	\$ 2,569,187	\$ 2,684,680
Special	1,091,552	1,169,069	1,086,130	940,752	963,683
Other	1,064,236	1,003,802	861,654	934,943	826,543
Support Services:					
Student	282,278	289,585	190,099	189,724	176,484
Instructional staff	1,061,645	293,706	247,233	238,527	288,959
Administration	604,122	649,504	746,978	639,215	615,579
Operation and maintenance of plant	435,261	451,693	423,949	458,916	418,972
Transportation	486,768	521,284	524,821	433,775	467,061
Non-Instruction Programs	1,808	6,907	3,483	1,439	1,893
Other Expenditures:					
Facilities acquisition	637,000	1,987,484	661,963	400,478	151,715
AEA flowthrough	283,455	257,820	251,822	244,114	236,183
Total	<u>\$ 8,613,157</u>	<u>\$ 9,226,395</u>	<u>\$ 7,660,344</u>	<u>\$ 7,051,070</u>	<u>\$ 6,831,752</u>

See accompanying independent auditor's report.

SCHEDULE "6"

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010**

Grantor/Program	CFDA Number	Grant Number	Expenditures
<hr/>			
Indirect Programs:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	\$ 2,594
National School Lunch Program	10.555	FY10	109,127
National School Lunch Program - USDA Commodities (noncash)	10.555	FY10	24,890
			<hr/> \$ 136,611 <hr/>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	\$ 101,255
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	22,382
			<hr/> \$ 123,637 <hr/>
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	82,226*
ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	84.394	FY10	297,469
Safe and Drug Free Schools and Communities - State Grants	84.186	FY10	2,200
State Assessment	84.369	FY10	4,225
Keystone Area Education Agency:			
Special Education - Grants to States	84.027	FY10	37,590*
			<hr/> \$ 547,347 <hr/>
Total			<hr/> \$ 683,958 <hr/> <hr/>

* - Total for Special Education Cluster (IDEA) is \$119,816.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Clayton Ridge Community School District and is presented on the accrual basis. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

O'CONNOR, BROOKS & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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S.J. DOMEYER, CPA
M.A. KUEPERS, CPA
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M.P. RUGGEBERG, CPA
P.C. MCCARTHY, CPA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education of the
Clayton Ridge Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Clayton Ridge Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 11, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In addition, our report includes a disclaimer of opinion on the required supplementary information.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs at items II-A-10 and II-B-10 to be material weaknesses. These items were noted in the prior year audit.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Clayton Ridge Community School District and other parties to whom Clayton Ridge Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Clayton Ridge Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
February 11, 2011

O'CONNOR, BROOKS & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Clayton Ridge Community School District

Compliance

We have audited the compliance of Clayton Ridge Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Clayton Ridge Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs at item III-A-10 to be a material weakness.

Clayton Ridge Community School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clayton Ridge Community School District and other parties to whom Clayton Ridge Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

O'CONNOR, BROOKS & CO., P.C.

O'Connor Brooks & Co., P.C.

Dubuque, Iowa
February 11, 2011

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

Part I: Summary of the Independent Auditor's Results:

- a) Unqualified opinions were issued on the financial statements.
- b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) A material weakness in internal control over major federal award programs was disclosed by the audit of the financial statements.
- e) The auditor's report on compliance for the major federal award programs expressed an unqualified opinion for the major programs.
- f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) The major programs were as follows:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act.
 - Clustered programs:
 - CFDA Number 84.027 Special Education - Grants to States (IDEA, Part B)
 - CFDA Number 84.391 Special Education - Grants to States (IDEA, Part B), Recovery Act.
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Clayton Ridge Community School District did not qualify as a low-risk auditee.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

Part II: Findings Related to the Financial Statements:

MATERIAL WEAKNESSES:

II-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling incompatible duties. One example of incompatible duties is that one individual posts cash receipts, makes bank deposits, and reconciles bank accounts.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will implement procedures over areas where incompatible duties exist to maximize internal controls with current staff.

Conclusion - Response acknowledged.

II-B-10 Adjusting Journal Entries - A material adjustment was made to represent a fair presentation of the District's financial statements at June 30, 2010. Account balances that were adjusted included the fixed asset accounts and long term liabilities accounts to reflect a capital lease.

Recommendation - The business manager should consider the effects of lease agreements on the financial statements.

Response - The District will consider and record the effect of lease agreements on the financial statements.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

MATERIAL WEAKNESS:

CFDA Number 84.394--ARRA--State Fiscal Stabilization Fund (SFSF) -- Education
State Grants, Recovery Act.
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.027 -- Special Education -- Grants to States (IDEA, Part B)
CFDA Number 84.391 -- Special Education -- Grants to States (IDEA, Part B),
Recovery Act.
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling incompatible duties. One example of incompatible duties is that one individual posts cash receipts, makes bank deposits, and reconciles bank accounts.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010 exceeded the certified budget in the support services program function. The District did not exceed its General fund unspent authorized budget.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget in the support services program function.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

Part IV: Other Findings Related to Statutory Reporting: (Continued)

IV-B-10 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 Business Transactions - Business transactions between the District and District officials or employees were detailed as follows:

Name, Title, Business Connection -----	Description -----	Amount -----
Ihdes Phillips 66 Spouse of board member	Maintenance	\$ 1,159
Harbaugh Construction Sibling of board member	Construction costs	6,825

The transaction with Harbaugh Construction may represent a conflict of interest since the contract for services was not made through a written competitive and open bidding process and transactions exceeded \$2,500.

Recommendation - When a contract with a related party is considered by the Board, they must make the contract for services publicly open through competitive written bidding when the contract amount exceeds \$2,500.

Response - We will follow the provision of Chapter 279.7A in the future.

Conclusion - Response accepted.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - We did not note any transaction requiring board approval which had not been approved by the board.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

Part IV: Other Findings Related to Statutory Reporting: (Continued)

IV-G-10 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-10 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-I-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, however, we noted that the ending fund balances reported on the Certified Annual Report and the financial statements differ due to not recording the net OPEB liability on the Certified Annual Report.

Recommendation - The District should accurately report liability balances on the Certified Annual Report.

Response - We will correct this balance on the 2011 Certified Annual Report.

Conclusion - Response accepted.

IV-J-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-K-10 Deficit Balances - The Student Activity fund had seven accounts with deficit balances at June 30, 2010.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

Response - We will continue to monitor these accounts.

Conclusion - Response accepted.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

Part IV: Other Findings Related to Statutory Reporting: (Continued)

IV-L-10 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423.F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$ 313,603
Income:	
Statewide sales and services tax revenue	381,982
Interest income	247
Expenditures:	
Buildings & equipment	875,345
Other financing sources (uses):	
Capital lease financing	479,758
Transfer to Athletic Complex fund	(175,000)

Ending balance	\$ 125,245 =====

The statewide sales, services, and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	-----	-----
Physical plant and equipment levy	1.498	\$ 381,982

IV-M-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education was noted.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

Part IV: Other Findings Related to Statutory Reporting: (Continued)

IV-N-10 Financial Condition - The Athletic Complex fund had a deficit balance of \$753,355 at June 30, 2010.

Recommendation - The District should investigate alternatives to eliminate the deficit in order to return the fund to a sound financial position.

Response - The Athletic Complex fund balance will continue to show a deficit until the five-year financing from the State-wide sales tax fund is complete and all pledges are collected. The District anticipates annual transfers to the Athletic Complex fund from the State-wide sales tax fund until fiscal year 2014 when the deficit will be eliminated.

Conclusion - Response accepted.

IV-O-10 Interfund Loan (Management to Athletic Complex) - The interest rate being charged to the borrowing fund is lower than the rates established by rule pursuant to Iowa Code Section 74A.6, subsection 2.

Recommendation - The interest rate should be adjusted to comply with rates included in Iowa Code Section 74A.6, subsection 2.

Response - We will revise the interest rate to comply with Iowa Code Section 74A.6, subsection 2.

Conclusion - Response accepted.

IV-P-10 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The Elementary and Middle School Adult Pop accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Recommendation - The District should review and reclassify these accounts to the appropriate fund in accordance with the guidelines.

Response - We have reviewed the activity and will reclassify the account balances.

Conclusion - Response accepted.